

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 CEA-02

AGR-20 SAJ-01 SAM-01 DRC-01 /206 W

----- 097665

R 121045Z JUL 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0775

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: PRIME MINISTER CHIRAC ON ECONOMIC AND FINANCIAL
MATTERS

1. SUMMARY. - PRIME MINISTER JACQUES CHIRAC MET YESTER-
DAY WITH ECONOMIC AND FINANCIAL PRESS ASSOCIATION. IN
QUESTION-AND-ANSWER SESSION OF MORE THAN ONE HOUR, HE
RANGED OVER WIDE NUMBER OF TOPICS FROM EUROPEAN MONETARY
COOPERATION TO GOVT'S PLANS TO SHORE UP FRENCH FARM IN-
COME. HE DECLINED COMMENT ON WHETHER OR NOT FRANCE
WOULD RETURN TO EUROPEAN MONETARY "SNAKE" WHEN SIX-MONTH
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PERIOD ON "TEMPORARY" INDEPENDENT FLOAT OF FRANC COMES

TO END NEXT WEEK, SAYING THIS DECISION WOULD BE COMMUNICATED, FIRST, PRIVATELY TO EC PARTNERS. HE REJECTED THOUGHT WORLD MIGHT BE ON EVE OF MAJOR FINANCIAL CRASH, CITING SECRETARY KISSINGER'S REMARKS AT ROME ON JULY 5 RE U.S. SUPPORT FOR ITALY AS EVIDENCE OF DETERMINATION OF MAJOR GOVTS TO STAND TOGETHER. END SUMMARY.

2. EUROPEAN MONETARY COOPERATION. - ASKED IF FRANCE WOULD RETURN TO EUROPEAN MONETARY "SNAKE" SOON, CHIRAC RECALLED THAT SIX-MONTH PERIOD SET IN JANUARY FOR "TEMPORARY" INDEPENDENT FLOAT OF FRANC WOULD TERMINATE NEXT WEEK. HE SAID HE COULD NOT MAKE STATEMENT ON FRENCH GOVT'S INTENTIONS AT THIS TIME, BECAUSE FRANCE WOULD FIRST COMMUNICATE ITS DECISION PRIVATELY TO EC PARTNERS. ("COURTESY HAS BECOME IMPORTANT ELEMENT IN FRENCH FOREIGN POLICY.") WHEN REMINDED THAT THIS ATTITUDE COULD HAVE EFFECT ON EXCHANGE MARKETS, CHIRAC NONETHELESS CONTINUED TO REFUSE FURTHER COMMENT. AT ANOTHER POINT IN SESSION, HE NOTED FRANC WAS FLOATING UP TOWARDS ITS PRE-JANUARY 19 FLOOR AGAINST DEUTSCHEMARK. (COMMENT: YESTERDAY DM WAS QUOTED AT 1.885 FRANCS, WHEREAS OLD FLOOR WAS 1.76425 FRANCS.) HE ALSO EXPRESSED OPPOSITION TO CREATION OF "GREEN FRANC" ALONG LINES OF "GREEN LIRA."

3. FRENCH BUDGET FOR 1975. - CHIRAC REAFFIRMED GOVT'S TARGET TO HOLD RISE IN PUBLIC EXPENDITURES NEXT YEAR TO SAME PERCENTAGE AS PROJECTED INCREASE IN VALUE OF NATIONAL PRODUCT. WHEN ASKED TO QUANTIFY, HE SAID GOVT HAD NOT YET FINALIZED ITS ECONOMIC PROJECTIONS FOR 1975. REAL GROWTH WOULD BE SOMEWHERE BETWEEN 4.5 AND 5.5 PERCENT, AND HYPOTHESIS ON PRICE INCREASES WOULD BE CONSISTENT WITH GOVT'S TARGET TO REDUCE RATE OF INFLATION TO 7 OR 8 PERCENT BY MIDDLE OF NEXT YEAR. (COMMENT: 7 OR 8 PERCENT FIGURE CONTRASTS WITH TARGET OF 0.5 PERCENT PER MONTH - OR ABOUT 6 PERCENT A YEAR - ANNOUNCED BY FINANCE MINISTER FOURCADE ON JUNE 13. SEE PARIS 14374.)

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R 121045Z JUL 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0776

INFO AMEMBASSY BONN

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AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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4. STABILIZATION PROGRAM. - CHIRAC EXPRESSED CONFIDENCE THAT MEASURES ANNOUNCED BY GOVT ON JUNE 13 AND EMBODIED IN 1974 SUPPLEMENTARY FINANCE LAW WOULD BE ADEQUATE TO ACHIEVE TARGETS OF MODERATING INFLATION AND ELIMINATING EXTERNAL TRADE DEFICIT BY END OF 1975. HE STATED CATEGORICALLY THAT THERE WOULD BE NO NEW SET OF "AUSTERITY MEASURES" TAKEN IN THE FALL. (COMMENT: CHIRAC'S POSITION SEEMS AT VARIANCE WITH THAT TAKEN BY FINANCE MINISTER FOURCADE, WHO IN HIS PUBLIC UTTERANCES HAS BEEN FORESHADOWING A NEW BELT TIGHTENING AFTER THE VACATION SEASON.)

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5. WORLD ECONOMIC OUTLOOK. - CHIRAC FIRMLY REJECTED THOUGHT THAT WORLD MIGHT BE ON EVE OF MAJOR FINANCIAL CRASH. HE SAID SITUATION WAS FUNDAMENTALLY DIFFERENT FROM THAT PREVAILING IN 1929, AND THAT GOVTS HAD BOTH WILL AND DETERMINATION TO PREVENT WORLD-WIDE DEPRESSION. AS EVIDENCE OF DETERMINATION OF MAJOR GOVTS TO MAINTAIN UNITED FRONT AGAINST SUCH DANGERS, HE CITED SECRETARY KISSINGER'S STATEMENT IN ROME ON JULY 5 THAT U.S. WOULD DO EVERYTHING POSSIBLE TO ASSURE ITALIAN STABILITY AND PROGRESS.

6. EURO-DOLLAR MARKET. - ASKED ABOUT POSSIBILITY OF COORDINATED EFFORTS BY VARIOUS NATIONAL MONETARY AUTHORITIES TO CONTROL EURO-DOLLAR MARKET, CHIRAC SAID SUBJECT WAS UNDER ACTIVE DISCUSSION BETWEEN FRENCH AND GERMANS. THEREFORE, HE COULD NOT COMMENT FURTHER ON THE MATTER, EXCEPT TO RECOGNIZE THAT GERMANS HAD SHOWN SOME RETICENCE ABOUT POSSIBILITY OF EXERCISING SUCH CONTROL.

IRWIN

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